

## Message Text

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TO AMEMBASSY GEORGETOWN NIACT IMMEDIATE

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E.O. 11652: N/A

TAGS: EINV EMIN GY

SUBJECT: NEW YORKER COMMENTS ON GOG-REYNOLDS NEGOTIATIONS

1. SEPTEMBER 16TH EDITION OF NEW YORKER MAGAZINE FEATURES A LENGTHY ARTICLE ON GUYANA ENTITLED "LETTER FROM GUYANA" WRITTEN BY JEAN KRAMER. IN ARTICLE, AUTHOR MAKES FOLLOWING COMMENTS REGARDING REYNOLDS NEGOTIATIONS AND PREVIOUS ALCAN NATIONALIZATION.

"THE FACT IS THAT BURNHAM HAD NEVER INTENDED TO NATIONALIZE THE ALCAN OPERATIONS FULLY. HE OFFERED THE COMPANY A FORTY-NINE-PER-CENT PARTNERSHIP, AND TOOK OVER AFTER ALCAN REFUSED TO NEGOTIATE ON THAT BASIS. ALCAN HAD BEEN ABLE TO PUT FIFTY THOUSAND DOLLARS A WEEK INTO MAINTAINING THE MINES AT LINDEN, AND HAD APPLIED MAXIMUM TECHNOLOGY TO MINING PROBLEMS, AND EVEN THEN THE COMPANY HAD HAD TO PUSH HARD TO MAKE A DECENT RETURN. BURNHAM'S GUYBAU PUTS LESS THAN HALF THAT MONEY INTO MAINTENANCE, AND FOREIGN SUPPLIERS, WHO ARE STILL WAITING FOR PAYMENTS ON THE BILLS THAT GUYBAU INHERITED, ARE NOT LIKELY TO START REPLACING WORN CONVEYOR BELTS AND WHEEL EXCAVATORS UNTIL

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THOSE BILLS ARE PAID. BURNHAM HAS TALKED TO REYNOLDS

METALS COMPANY, WHICH CONTROLS THE REST OF THE COUNTRY'S BAUXITE, ABOUT A FORTY-NINE-PER-CENT PARTNERSHIP IN ITS MINES, BUT HE WILL PROBABLY MAKE THE ARRANGEMENT MORE ATTRACTIVE, BECAUSE HE WANTS TO KEEP THE ADVANTAGES OF REYNOLDS PERSONNEL AND REYNOLDS FINANCE CAPITAL. THEN, TOO,

REYNOLDS HAS ALWAYS SEEMED TO SUPPORT BURNHAM POLITICALLY. FORMER SUPREME COURT JUSTICE ARTHUR GOLDBERG, WHO SOMETIMES REPRESENTS REYNOLDS, ONCE REFERRED TO BURNHAM AS "MY GOOD FRIEND", AND PEOPLE HERE SAY THAT BURNHAM WOULD PROBABLY HAVE TO NATIONALIZE THE WHOLE COUNTRY TO REPAIR THE DAMAGE THAT THAT REMARK DID TO HIS REPUTATION IN THE THIRD WORLD.

"MANY PEOPLE HERE ASSUME THAT REYNOLDS SUPPORTED THE ALCAN NATIONALIZATION. REYNOLDS CERTAINLY DID NOT DISCOURAGE THE CHASE MANHATTAN BANK, WHICH IS NOT USUALLY IN THE BUSINESS OF HELPING THIRD WORLD RULERS FINANCE THEIR NATIONALIZATION LOAN OF SEVERAL MILLION DOLLARS. AND REYNOLDS HAD SUFFERED, AS MUCH AS A BILLION-DOLLAR INTERNATIONAL CORPORATION CAN SUFFER, FROM ITS SECOND-STRING PRODUCTION STATUS IN THE COUNTRY. IT PROBABLY HAD NO OBJECTION TO BEING THE ONLY FOREIGN BAUXITE PRODUCER LEFT IN GUYANA, AND IT MADE NO PROTEST WHEN ALCAN WAS FORCED TO ABANDON ITS OPERATIONS-NOR DID WASHINGTON, INASMUCH AS CANADA WAS ABOUT TO CHANGE ITS TAX LAWS TO ENCOURAGE CANADIAN OWNERSHIP OF STOCKS LIKE ALCAN. BURNHAM, FOR HIS PART, HAD SIGNED AN AGREEMENT WITH REYNOLDS IN 1965 WHICH FROZE REYNOLDS' GUYANESE INCOME TAX AT A QUARTER OF A MILLION DOLLARS A YEAR FOR TWENTY-FIVE YEARS AND GUARANTEED THAT THE GOVERNMENT HERE WOULD PAY TO DREDGE THE RIVER NEAR ITS INSTALLATIONS AND TO KEEP THE CHANNEL CLEAR AFTERWARD. NOW HE WANTS TO RAISE REYNOLDS' TAXES, BUT IF THE COMPANY DOES EVENTUALLY ACCEPT A PARTNERSHIP, HE IS SAID TO BE WILLING TO COMBINE THE COUNTRY'S BAUXITE OPERATIONS, GIVING REYNOLDS THE OVER-ALL MANAGERIAL AND MARKETING AUTHORITY. THIS WOULD MEAN THAT REYNOLDS

BAUXITE COULD BE WASHED AND DRIED IN GUYBAU INSTALLATIONS ALONG THE DEMERARA RIVER AND THEN SHIPPED CHEAPLY, AS ALUMINA, TO THE REYNOLDS SMELTER IN VENEZUELA, WHICH HAS UNCLASSIFIED

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AD TO DEPEND UP TO NOW ON GETTING ALUMINA SHIPPED FROM THE UNITED STATES AND JAMAICA."

2. FULL TEXT OF ARTICLE BEING POUCHED.

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